

# Budget Unit Brief

## FY 2017



## Field Offices – Unemployment Insurance Reserve Interest

### History and Purpose

The first employment offices in Iowa history date back to the 1920s, when Iowa entered into a cooperative agreement with the U.S. Department of Labor to provide employment services at the Polk County Courthouse, the City Hall in Sioux City, and the Farm Bureau office in Creston. By 1934, the employment services expanded to 10 district offices throughout Iowa, and in the 1970s there were an estimated 70 regular and satellite field offices. This number of offices continued to operate through the 1990s and early 2000s. Funding for the offices mainly came from the federal government through the various programs that were established and evolved over the years. Eventually, federal funds for administrative support began to decline and state funding began to play a larger role in support of the field offices.

An administrative contribution surcharge was established during the 1987 Legislative Session with the enactment of [SF 507](#) (Unemployment Compensation Contribution Array System Act). The surcharge applied to all employers other than a governmental entity or a nonprofit organization and was equal to 0.1% of federal unemployment insurance taxable wages – one penny for every \$10.00 paid to a worker. The surcharge averaged \$7.00 per employee per year. This surcharge was then placed in the Administrative Contribution Surcharge Fund that the General Assembly appropriated for personnel and nonpersonnel costs associated with running the rural and satellite job service offices in population centers of less than 20,000 people. The surcharge and fund were given a sunset date of July 1, 1990.

The first appropriation from the Administrative Contribution Surcharge Fund was made in FY 1991 (1990 Legislative Session [SF 2328](#) - State Regulatory Agencies Appropriations Act). That same Act extended the sunset until July 1, 1994. In 1992, the Department of Employment Services [proposed creating](#) an Unemployment Compensation Reserve Fund of \$250.0 million to pay benefits through loans to the Federal Unemployment Trust Fund, as security for loans for the Trust Fund, or for interest on advances borrowed from the federal government to pay benefits. The Department also recommended that interest on the fund be placed in the Special Employment Contingency Fund to pay for the administrative costs that were currently funded through the administrative contribution surcharge. At that time, the administrative contribution surcharge was generating approximately \$6.0 million per year in revenue (approximately \$9.2 million after adjusting for inflation). The Unemployment Compensation Trust Fund was not enacted that year, and the sunset was extended until July 1, 1998 (1993 Legislative Session [SF 239](#) - Unemployment Compensation Employer Contributions Act). Another extension was enacted in 1998 until July 1, 2001, in [SF 2112](#) (Employment Security Administrative Contribution Surcharge Sunset Provision Act). The sunset was extended to 2003 during the 2001 1st Extraordinary Session in [HF 696](#) (Employment Security Administrative Contribution Surcharge Computation and Use of Funds Act).

[House File 696](#) additionally directed the Department of Workforce Development (IWD) to develop a surcharge formula to collect revenue no greater than \$6.5 million annually, as well as explore the viability of a fee-based services system for customized or enhanced employer services. The IWD was directed to collocate rural and satellite departmental offices in community college facilities, or other facilities of other government entities, to the extent feasible. The IWD filed reports outlining the pilot program and the costs and steps taken at the satellite field offices.

The sunset of the surcharge was delayed until 2006 during the 2003 First Extraordinary Session in [HF 692](#) (Taxation, Economic Growth and Development, and Other Changes Act). However, due to the item vetoes attempted by the Governor, and the ruling of the Supreme Court in [Rants v. Vilsack](#), these changes were not enacted and the administrative contribution surcharge was repealed. After the repeal of the surcharge, General Fund appropriations began in FY 2005 with the creation of three standing limited appropriations in Iowa Code chapter [96.7A](#) in [SF 2311](#) (Workforce and Economic Development Appropriations and Related Changes Act). The standing appropriation was repealed in 2006 in [HF 2459](#) (FY 2007 Economic Development Appropriations Act) and is now annually included in the Economic Development Appropriations Act.

### More Information

IowaWORKS Integrated Workforce Delivery: <https://www.iowaworkforcedevelopment.gov/iowaworks-centers>

Iowa General Assembly: <http://www.legis.iowa.gov/>

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## Field Offices – Unemployment Insurance Reserve Interest

The IWD currently operates 16 [Regional One-Stop Centers and four Satellite Field Offices](#). The purpose of workforce development centers is to provide a one-stop career center within each region of the State to deliver an integrated network of information resources and workforce development services to job seekers, businesses, employees, students, schools and colleges, and the public at large. The following services are provided as core services in each workforce development center in the State:

- Individual career and employment consulting.
- Employment readiness training.
- Occupational skill development.
- Basic skills development.
- Individual income and support services.
- Business employment consulting.
- Employment networking and placement.
- Labor market information services.
- Special assistance with plant closings and layoffs.
- Community workforce development consulting.

### Funding State General Fund

The General Fund appropriation is annually included in the Economic Development Appropriations Act. This appropriation is transferred to the Field Office Operating Fund. Total funding for the field office system fluctuates dramatically from year to year depending on certain economic conditions and the availability of federal funding from different programs. The General Fund expenditures represent approximately 30.0% to 40.0% of the total operating costs of the field offices over the past few fiscal years. These expenditures do include other State funds described below.

### Funding Other State Funds

The General Assembly also appropriates other funds as available for field offices. These include the interest earned on the Unemployment Insurance (UI) Reserve Fund and the Special Employment Contingency Fund (also known as the Penalty and Interest (P & I) Fund). The UI Reserve Fund Interest appropriations were initially estimated at \$4.0 million. However, due to the lower interest rates available on accounts, the UI Reserve Fund generates less than \$400,000 annually. These funds are the second source utilized by the IWD once the General Fund appropriation is depleted. Special Employment Contingency Fund appropriations have increased over recent fiscal years and, as of FY 2016, are approximately \$1.8 million. This is the third level of State funding that the IWD utilizes if needed.

### Funding Federal Funds

The field offices are also funded through a variety of federal programs, some with broad eligibility and some with very specific purposes and consumers to serve. These programs include:

- [Wagner-Peyser Act](#): Provides employment opportunities for any citizen over age 15. Funding can be used for staff and facility support and labor market information data collection. This represents approximately 10.0% to 18.0% of the total operating costs of the field offices.
- [Unemployment Insurance Allocations](#): This Program provides limited support for offices after major program operations are expended. It represents approximately 10.0% to 25.0% of the total operating costs of the field offices, recently being closer to 15.0%.
- [Promise Jobs](#): Funding provides training and job placement assistance to families in the Family Investment Program (FIP), Iowa's cash assistance program under the federal Temporary Assistance for Needy Families (TANF) Program. Funding is transferred from the Department of Human Services to IWD, and is then split between IWD and subcontractors that are providing Workforce Investment Act (WIA) services in those regions. For IWD, this represents approximately 20.0% of the total operating costs of the field offices.
- [Disabled Veterans Outreach Program](#): This Program provides funds to support dedicated staff positions to develop and provide employment and job training opportunities for disabled and other qualified veterans. Also included is the Local Veteran Employment Representative. This represents approximately 4.0% of the total operating costs of the field offices.
- [Re-Employment Eligibility Assessment](#): This Program requires individuals to receive re-employment services through local offices in order to maintain their unemployment benefits. Services include skills assessment, learning about the services provided at one-stop offices, and preparation for employment. This represents approximately 3.0% to 5.0% of the total operating costs.
- [Trade Assistance Act Training](#): This Program assists workers that have lost their jobs as a result of foreign trade. This represents approximately 3.0% of the total operating costs of the field offices.
- Other Federal Programs: Some other federal programs for targeted consumers represent less than 3.0% of total operating costs.
- [Reed Act](#): One-time funding source last received in 2002. Funding in 2002 was used to partially fill the UI Reserve Fund and support the local offices. Various federal projections do not anticipate any additional Reed Act funding until after FFY 2021.

### Related Code and Administrative Rules

Iowa Code chapter [84A](#)  
[877](#) Iowa Administrative Code

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